



OFFICE OF THE SECRETARY OF THE TREASURY

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UNCLASSIFIED
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MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE ATTORNEY GENERAL
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR
POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group International
Economic Policy (SIG-IEP)

Attached please find the minutes of the SIG-IEP meetings held on July 26, July 28, July 30, and August 5.

David E. Pickford
Executive Secretary

Attachments

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SECRETMINUTES
SENIOR INTERDEPARTMENTAL GROUP - INTERNATIONAL ECONOMIC POLICYJuly 26, 1982
5:00 p.m.
Roosevelt Room

Attendees:

Treasury
Secretary Regan (Chairman)
Assistant Secretary LelandCIA
Henry RowenNSC/release
redacted partState
Under Secretary BuckleyCEA
Jerry JordanDefense
Secretary WeinbergerOPD
Roger PorterCommerce
Secretary BaldrigeWhite House
M.B. OglesbyAgriculture
Secretary BlockNSC
Norman Bailey
Henry NauOMB
Director Stockman
William Schneider1. Polish Measures of July 22 and Polish Sanctions

The SIG considered a paper prepared for it on the suggested responses to the measures announced by Poland on July 22. The SIG agreed that there should be no reaction to the Polish measures other than to state that we are analyzing them and discussing them with the allies. Under Secretary Buckley reported that there was to be a meeting at NATO on July 27 at which the measures would be discussed and there was general agreement that the matter would be put off until another NATO meeting in two weeks. The SIG agreed that the measures fall far short of expectations and do not come close to meeting the requirements for liberalization of the NATO communique.

There was then discussion of the recently passed Kasten Amendment (copy attached).

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on July 29, 1988

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The group was informed of the joint memo which would be from the Secretary of the Treasury and the Secretary of State to the President requesting a delegation to the Secretary of State of the authority to prepare and transmit, in consultation with the Secretary of the Treasury and other affected Cabinet ministers, the monthly certification to Congress required by the Amendment.

It was further announced that the official debt rescheduling for Romania had been initialed in Paris.

2. Grain Sales to the Soviet Union

Secretary Block began by presenting his arguments in favor of an extension of the U.S.-USSR grain agreement for one year with the flexibility for the Secretary of Agriculture to seek Soviet consent to higher minimums in the agreement. The extensive discussions covered the options of: (1) not extending at all, (2) extending the agreement for one year with no change at all in its terms, or (3) extending the agreement for one year and extending the minimums in the agreement.

A majority of the group approved a recommendation from the SIG to the President of one-year extension of the agreement with the Department of Agriculture being authorized, in normal consultations that would be carried on after the signing of the agreement, to seek sales of higher amounts of grain than the minimum provided for in the agreement. The Secretary of Defense preferred no agreement and the Secretary of Agriculture preferred to seek an agreement with higher minimums. It was further agreed that after the decision is made by the President the announcement should be delayed so as to give time to the State Department to inform our allies of the decision.

Attachment

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KASTEN AMENDMENT

Section 205:

Effective upon enactment of this act and for the remainder of fiscal year 1982 notwithstanding any other provisions of law no funds may be paid out of the Treasury of the United States or out of any fund of a government corporation to any private individual or corporation in satisfaction of any assurance agreement or payment guarantee or other form of loan guarantee entered into by any agency or corporation of the United States Government with respect to loans made and credits extended to the Polish People's Republic, unless the Polish People's Republic has been declared to be in default of its debt to such individual or corporation or unless the President has provided a monthly written report to the Speaker of the House of Representatives and the President of the Senate explaining the matter in which the national interest of the United States has been served by any payments during the previous month under loan guarantee or credit assurance agreement with respect to loans made or credits extended to the Polish People's Republic in the absence of a declaration of default.

MINUTES
SENIOR INTERDEPARTMENTAL GROUP - INTERNATIONAL ECONOMIC POLICY

July 28, 1982
10:00 a.m.
Roosevelt Room

Attendees:

Treasury
Secretary Regan (Chairman)
Assistant Secretary Leland

OPD
Ed Harper
Roger Porter

State
Secretary Shultz (Vice Chairman)
Under Secretary Buckley

OMB
William Schneider

Defense
Deputy Secretary Carlucci

CEA
William Niskanen

Commerce
Secretary Baldrige

NSC
Norman Bailey
Henry Nau

Agriculture
Secretary Block

White House
Dave Gergen
Dick Darman
Craig Fuller

Vice President's Staff
Nancy Bearg Dyke

USTR
Dave Macdonald

CIA
Henry Rowen

NSC/release
redacted part

1. U.S.-USSR Grain Agreement

The meeting was devoted entirely to the discussion on the question of extension of the U.S.-USSR grain agreement. Secretary Regan first expressed concern that the decision of the meeting of July 26, 1982, which had been drafted by three participants in the meeting, had the next day been challenged as an inaccurate statement of what had occurred at the meeting and that such challenge had been made outside the system of the SIG without any notification to the Chairman.

Secretary Block stated that the recommendation as presented in written form had not represented his understanding of the discussion. He believed he had been granted authority to consult on raising the minimum Soviet purchases. In response to question, he stated that he wanted authority to discuss both increased sales and increased minimum.

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The group then once again discussed possible recommendations. The discussion centered on: (1) the reaction of the farm community to the decision; (2) the possible Soviet reaction; (3) possible allied reaction; (4) the possibility that the long shoreman's union might refuse to load grain to the Soviet Union.

Various issues were put to a vote. The group voted to extend the agreement for one year. Only the Secretary of Defense voted against such extension.

Next there was a vote on whether or not in allowing the one year extension the President should allow the issue of higher minimums to be explored with the Soviet Union. A majority of six (State, Treasury, Defense, NSC, CIA and CEA) voted against a higher minimum and a majority of five (Agriculture, Commerce, USTR, OPD and OMB) voted in favor of them. Both the majority and minority agreed that if there were a one-year extension, the possibility of higher amounts of grain sales should be explored in the consultations provided for in the agreement.

There was then a discussion as to when and how the Presidential announcement might be made and the group agreed that the White House, State and Agriculture should work out the procedure for consultation and announcement of any decision.

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on July 30, 1988

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 MINUTES
 SENIOR INTERDEPARTMENTAL GROUP - INTERNATIONAL ECONOMIC POLICY

July 30, 1982
 1:00 p.m.
 Roosevelt Room

Attendees:

Treasury
 Secretary Regan (Chairman)
 Assistant Secretary Leland

State
 Under Secretary Buckley

Defense
 Secretary Weinberger

Commerce
 Secretary Baldrige

Agriculture
 Under Secretary Lodwick

USTR
 Dave Macdonald

CIA
 Henry Rowen

NSC/release
 redacted part

OMB
 Director Stockman

CEA
 William Niskanen

Vice President's Staff
 Admiral Murphy

NSC
 Norman Bailey
 Henry Nau

1. Pipeline Sanctions

The first issue considered in the group's review of US-EC relations were the sanctions related to the pipeline which were imposed on December 29, 1981, and June 22, 1982. The group determined that the Interagency Group should pull together for the benefit of the SIG all the legal opinions setting forth the various options as to how the pipeline sanctions might be applied or enforced. The group discussed the specific problem of whether or not the sanctions were applied to items unrelated to the pipeline and, if so, what, if anything, should be done about it.

It was decided that the interagency group should also consider the range of reactions to comments already made by the Europeans on the issue as well as possible future legal actions that may be taken by the Europeans to thwart U.S. sanctions.

The group also decided that it needed to have a report on the alternative energy resources available to the Europeans to look at what possible assistance the United States could give in helping with these resources.

The group discussed the meanings of extraterritoriality and requested further explanations be presented at later meetings on this issue.

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The group then discussed the various reports about European and Soviet reactions to the sanctions. It was noted that the Soviets have expressed the view that the sanctions had helped speed up completion of the pipeline because it spurred the Europeans on. The group will want to look at all the available information as to whether or not the pipeline will be completed on time.

2. Steel

Secretary Baldrige made a report on his negotiations on steel with the European Community. He explained the U.S. laws and described the relatively little flexibility which he has under the law. He cannot make any settlement without the approval of U.S. industry. The industry would want agreements from countries in the European Community which do not subsidize. The industry would have no incentive to deal only with the countries that subsidize as they would be excluded from the U.S. market by U.S. law.

There was then discussion as to how the Commerce Department had arrived at the subsidy figures and of the United Kingdom complaints that they are too high.

There was also discussion of the economic problems in our own economy created by any agreement which would include quotas which could then raise the price to the consumers.

It was agreed that Secretary Baldrige would keep the group updated on these negotiations at each future meeting so that the pros and cons of a possible settlement could be considered by the group.

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MINUTES
SENIOR INTERDEPARTMENTAL GROUP - INTERNATIONAL ECONOMIC POLICY

August 5, 1982

4:00 p.m.

Roosevelt Room

Attendees:Treasury

Secretary Regan (Chairman)
Assistant Secretary Leland

CIA

Harry Rowen

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redacted part

State

Secretary Shultz (Vice Chairman)
Davis Robinson

CEA

Murray Weidenbaum

USTR

Dave Macdonald

Defense

Secretary Weinberger

OPD

Ed Harper
Roger Porter

Commerce

Secretary Baldrige
Sherman Unger

Vice President's Staff

Admiral Murphy

Agriculture

Sealy Lodwick

NSC

William P. Clark
Norman Bailey
James Rentschler

OMB

William Schneider

1. Steel Exports to the U.S.

Secretary Baldrige reported on the agreement that has been reached between the USG and the EC on the question of steel exports to the United States. A discussion followed concerning the implications of the agreement for the steel industry. The Cabinet Council on Commerce and Trade was tasked to prepare a study to be ready by mid-September. It should include structure of demand, availability of supply and comparative cost of alternative sources. It will additionally estimate the minimum steel-making capacity necessary for the national security.

2. Pipeline Sanctions

There was then a discussion of the status of consideration of the various issues involved in the sanctions question. A discussion followed on legal and enforcement strategies. Alternative energy sources and possible positive steps were also discussed.

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The issue of whether the matter should be left entirely to the courts and, if so, in what way, was considered. It was decided that more work needed to be done on possible reaction to European avoidance of the sanctions.

It was decided to provide the President with an update on both the steel and sanctions issue at an NSC meeting on August 6, 1982.

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